

CBDC : what are the main challenges for the payments ecosystem?



CBDC : which definition?

- CBDC is a digital asset created and managed by the Central Bank
- The main goal is to offer a payment tool linked with the digital transformation (main issues : the development of cryptoasset and the announcement of Facebook/Meta)



Reference : Rapport « Monnaie Digitale de Banque Centrale », Banque de France, janvier 2020

CBDC : which definition?



A CBDC is a central bank liability in digital form which are of two types:

- Retail CBDCs (rCBDCs) are intended for the general public, aiming to provide a risk-free digital means of payment for everyday transactions
- Wholesale CBDCs (wCBDCs), on the other hand, are designed for use among financial intermediaries and operate like central bank reserves

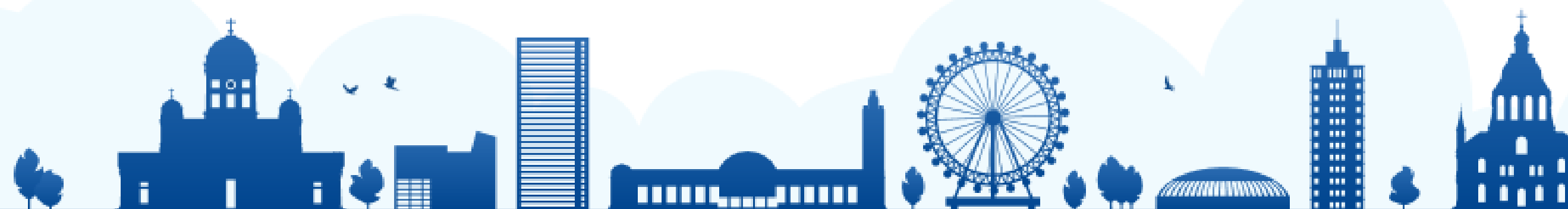


In Africa, a strong relation between CBDC and financial inclusion

In Asia, CBDC as a (geo)political asset

In Latin-America, CBDC as a tool of modernization of finance

CBDC in the world



CBDC and globalization of payments

CBDC is seen as an asset for the globalization of payments

Among the key aspects :

- Velocity
- Instant payments
- Efficiency
- Security



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CBDC in Europe : Focus on digital euro



- The European Central Bank published in October 2020 a report about digital euro : digital euro is seen as a digital version of the classic euro (cash) aiming to allow daily payments without the idea of replacing cash
- Among the main elements that explain the interest in digital euro today :
 1. Growing demand of electronic payments in the euro zone mainly managed by non-European companies, implying the need for a pan-European secure digital payment system
 2. Decline of the use of cash in the eurozone
 3. Private initiatives in the field of cryptoassets (with possible systemic risks)
 4. Use of CBDC provided by central banks in the world

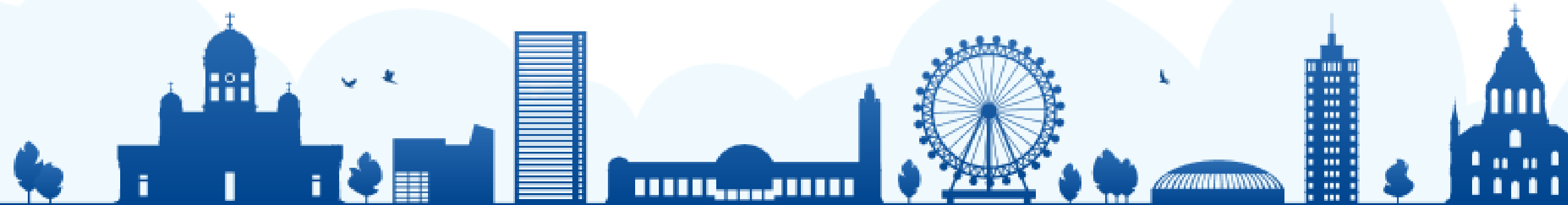
Reference : European Central Bank (ECB)

CBDC in Europe : Focus on digital euro

- The public consultation about digital euro was launched in October 2020 by the ECB
- ✓ **More than 8,000 citizens, companies and professional organizations participated in this consultation**
- Among the main elements of digital euro : **privacy** (41 %), **security** (17 %) and **pan-European reachability** (10 %)
- Digital euro should be an additional tool allowing secure, efficient and pan-European daily payments without the idea of replacing cash and existing digital payment systems



Reference : European Central Bank (ECB)



Digital euro : what are the main issues for the payments ecosystem?

- A pan-European project but different approaches in Europe (the examples of France, Italy, Portugal)
- Interesting use cases in CtoC, BtoC/CtoB, GtoC/CtoG and a value added use case with offline
- The necessity to integrate all the players of the market in this work
- The issue of adoption (by the end-user)
- Which convergence between digital euro and existing works about payments, like EPI? (The importance of standardization and interoperability)

Different assets are already identified by the market :



Security



Business model



Technology

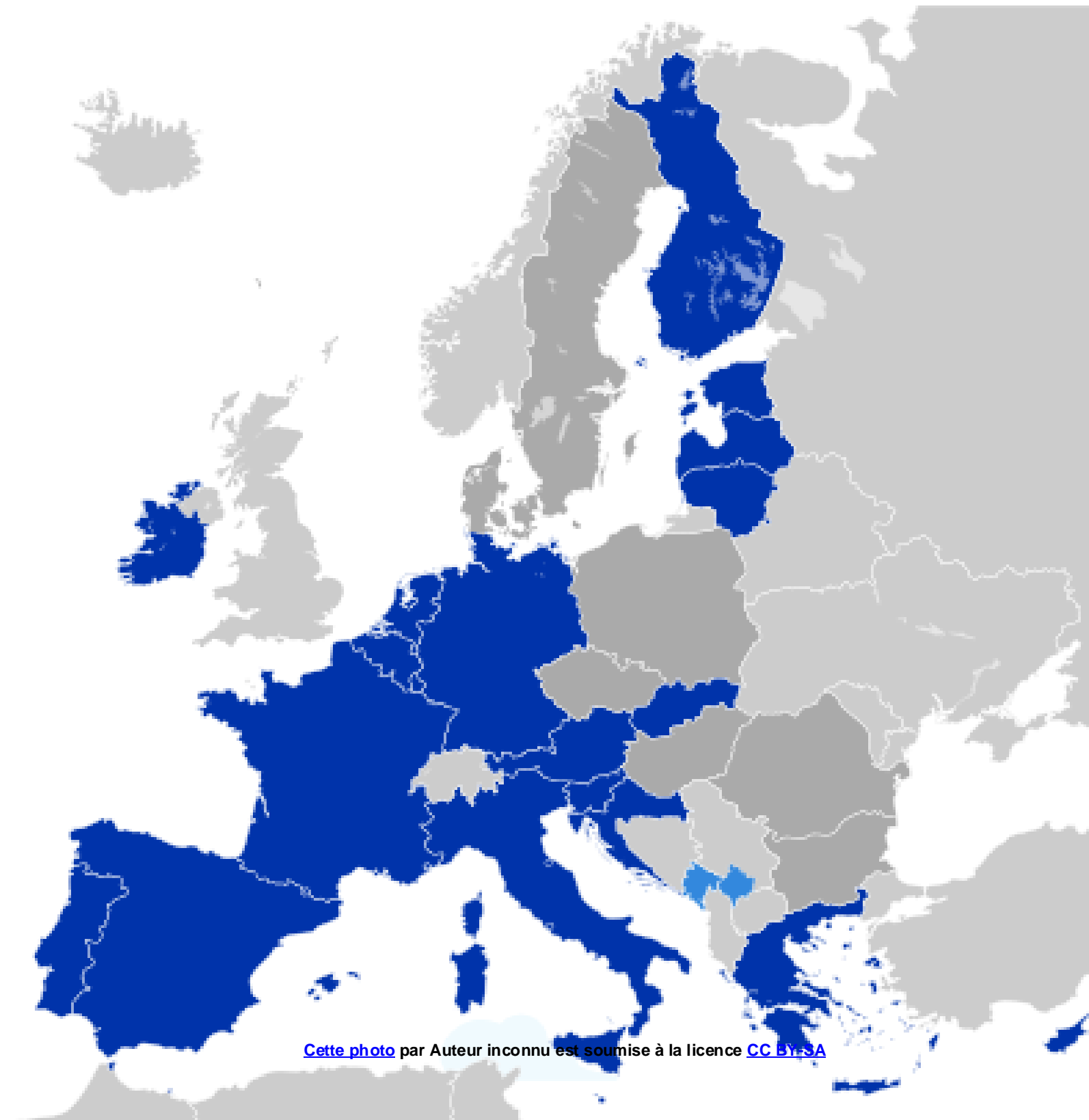


Sovereignty

Digital euro : which observations in the market?

Banking actors pay attention to the risk of loss of deposits

Demand actors need more information about potential use cases and benefits



Certain IT leaders highlight the technological interest but pay attention to the issue of interoperability

Some converging needs in Europe about more concrete works and the issue of information

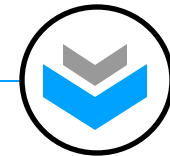
Selected design choices & draft regulatory provisions

(to be confirmed)

Based on ECB's documents, draft EU Regulation, Nexi's participation into stakeholders' groups

DISTRIBUTION

**ENSURE EU-WIDE
AVAILABILITY**



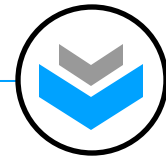
**Via PSD compliant
intermediaries (PSPs)**

Mandatory provision by
credit institutions to
citizens

Mandatory acceptance for
merchants

COMPENSATION MODEL

**LOW COSTS FOR
USERS**



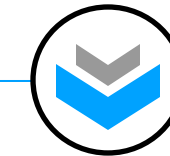
4-party model

Free of charge basic
services for citizens

No scheme fees
ECB to bear the cost of
back-end services

PRIVACY

**BALANCE BETWEEN
MARKET CONCERNS
AND REGULATORY
COMPLIANCE**



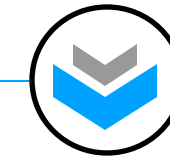
No anonymity

Enhanced privacy
for offline payments

No visibility by the ECB
on users' personal data

STORE OF VALUE

**LIMIT THE EROSION OF
BANK DEPOSITS**



Limit on digital euro
holdings for citizens

**"Zero holding limit" for
merchants**
"Instant" conversion into private money
No B2B use cases

No interests on holdings

Digital euro : which agenda?

Investigation phase

October 2021 - October 2023

- Design of the payment system
- Prototype of front-end services
- Market research to validate the feasibility of the technical architecture

Preparation phase

November 2023 - October 2025

- Finalization of the digital euro scheme rulebook
- Selection of possible providers to develop selected components of the payment system
- Experimentation of advanced use cases

Go/No go decision by the ECB Governing Council

Roll-out phase (tbc)

November 2025 ...

- Deployment of the ECB's Digital Euro Service Platform
- Implementation of use cases by intermediaries
 - Phase 1: P2P (online & offline), eCommerce
 - Phase 2: POS (online & offline)

Market engagement via stakeholders' group

EU Commission, Parliament and Council to approve and publish the digital euro Regulation

Digital euro : What are the next steps?

White paper
« **CBDC : what are the main challenges for the sector of payments?** » published by
Partelya Consulting in
September of 2024



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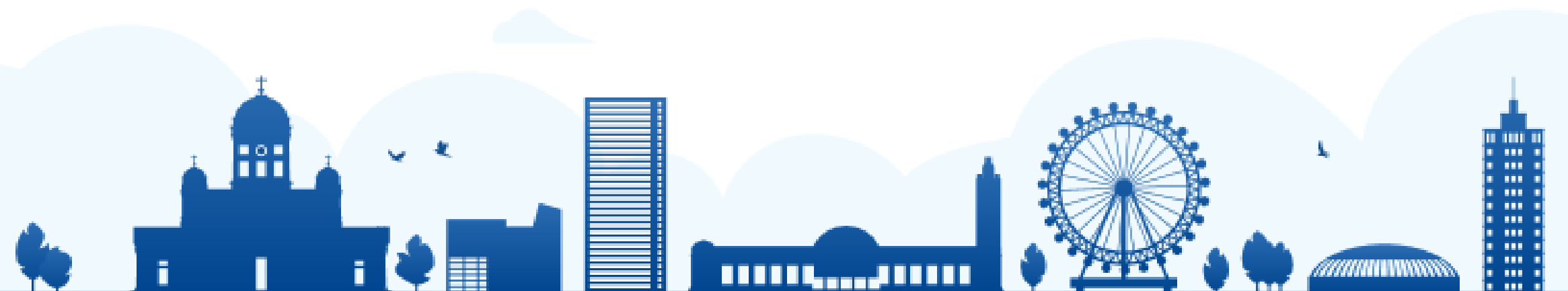
Partelya Consulting is a French consulting company created in 2008. Specialized in payments, it contributed to many projects linked with this ecosystem such as the implementation of new payments tools, compliance, or even strategic issues both for companies and big institutional actors.



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Thank You

